

Message Text

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42

ACTION EUR-12

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FM AMEMBASSY MADRID

TO SECSTATE WASHDC IMMEDIATE 4785

C O N F I D E N T I A L MADRID 1579

STADIS////////////////////////////////////

E.O.11652: GDS

TAGS: ECON,

SUBJECT: MEETING IN MALLORCA BETWEEN FINANCE MINISTER VILLAR MIR
AND SECRETARY SIMON.

1. I ATTENDED THE LUNCH AND THE MEETING ON FEBRUARY 27 IN
PALMA WITH VILLAR AND SIMON. OTHERS PRESENT
WERE MESSRS. SEIDMAN AND PARSKY AND GOS UNDER SECREATRY OF
FINANCE RENDUELES.

2. VILLAR MIR WENT OVER IN CONSIDERABLE DETAIL MUCH OF THE
MATERIAL WHICH HE HAD COVERED IN HIS LETTER TO THE SECRETARY
OF STATE AS WELL AS DISCUSSING PESETA DEVALUATION. SPECIFICALLY,
VILLAR MIR SAID HE WOULD LIKE US SIDE TO CONSIDER FIVE
DIFFERENT AREAS FOR POSSIBLE ASSISTANCE TO SPAIN. (A) GOVERNMENT
TO GOVERNMENT LONG TERM LOAN TO RESTRUCTURE SPAIN'S
FOREIGN DEBT, (B) MULTILATERAL SOURCES FOR DEBT RESTRICTURING
TO INCLUDE US. (C) FINANCING OF SPAIN'S CURRENT ACCOUNT
B/P DEFICIT WITH US; (D) ADDITIONAL EXIMBANK CREDITS: AND
(E) CREATION OF FAVORITE CLIMATE FOR INCREASED US
CAPITAL INVESTMENT IN SPAIN.

3. SECRETARY SIMON INDICATED THAT HE WOULD BE GLAD TO
CONSIDER ALL THESE AREAS, BUT MADE THAT A
A GOVERNMENT TO GOVERNMENT LOAN WOULD BE AN IMPOSSIBILITY
HE ALSO INDICATED THAT THERE WAS NO WAY USG COULD
FINANCE CURRENT ACCOUNT B/P DEFICIT.

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4. IT WAS AGREED THAT A SMALL SPANISH DELEGATION

HEADED BY UNDER SECRETARY RENDUELES WOULD GO TO WASHINGTON FOR TWO DAYS DURING SECOND OR THIRD WEEK OF MARCH TO CONTINUE DISCUSSIONS WITH TREASURY AND OTHER DEPARTMENTS ON SPAIN'S PROBLEMS AS OUTLINED BY VILLAR MIR. EXACT DATES FOR THE VISIT WILL BE WORKED OUT WITH THE MINISTRY OF FINANCE THROUGH EMBASSY MADRID.

5. THIS MESSAGE IS BEING SENT STADIS AS SECRETARY SIMON HAS NOT SEEN IT. I ASSUME THAT TREASURY WILL PREPARE ITS OWN MEMCON AND, IF SO, I SHALL BE GRATEFUL FOR A COPY.
STABLER

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